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FACTSHEET/No. 2

A PENSION FROM WORK NOT COVERED BY SOCIAL SECURITY

If you will receive a pension from a job not covered by Social Security, *and* you also have enough Social Security credits to be eligible for retirement or disability benefits, a *different* formula may be used to figure your Social Security benefit. This formula will result in a lower benefit. But your pension from the job not covered by Social Security is not affected by this change.

The reason a different formula is used is that Social Security benefits are weighted in favor of low earners (i.e., low earners' benefits represent a higher percentage of their prior earnings than do the benefits of workers with higher earnings). These workers are less able to withstand a reduction in earnings, and they have had less opportunity to supplement benefits with private savings and investment income. If the benefits of people who work for only a portion of their careers in jobs covered by Social Security were computed as if they had been long-term, low-wage workers, these individuals would receive the advantage of the weighted benefit formula. Instead a modified formula eliminates this unintended windfall.

The modified formula does not affect *survivor* benefits. It affects only workers who reach age 62 or become disabled after 1985 *and* first become eligible after 1985 for a monthly pension based in whole or in part on work not covered by Social Security. You are considered eligible to receive a pension if you meet the requirements of the pension, even if you continue to work.

The modified formula does not apply if:

- ☐ You are a Federal worker hired after December 31, 1983;
- ☐ You were employed on January 1, 1984, by a nonprofit organization that was mandatorily covered under Social Security on that date;
- ☐ You have 30 or more years of substantial earnings under Social Security;
- ☐ Your only pension is based solely on railroad employment; or
- ☐ Your only work not under Social Security was before 1957.

The modified formula will be used in figuring your Social Security benefit beginning with the first month for which you receive *both* a Social Security benefit *and* a pension from work not covered under Social Security.

Social Security benefits are based on the worker's average indexed monthly earnings. In figuring benefits, the first part of the average earnings is multiplied by 90 percent; the second part is multiplied by 32 percent; and any part of the average monthly wage remaining is multiplied by 15 percent. For many persons with pensions based on noncovered earnings, the 90 percent factor will be reduced to 40 percent.

The 40 percent factor is phased in gradually for workers who reach 62 or become disabled in 1986 through 1989. The phase-in applies as follows:

YEAR YOU BECAME 62 OR DISABLED	FIRST FACTOR
1986	80 percent
1987	70 percent
1988	60 percent
1989	50 percent
1990 or later	40 percent

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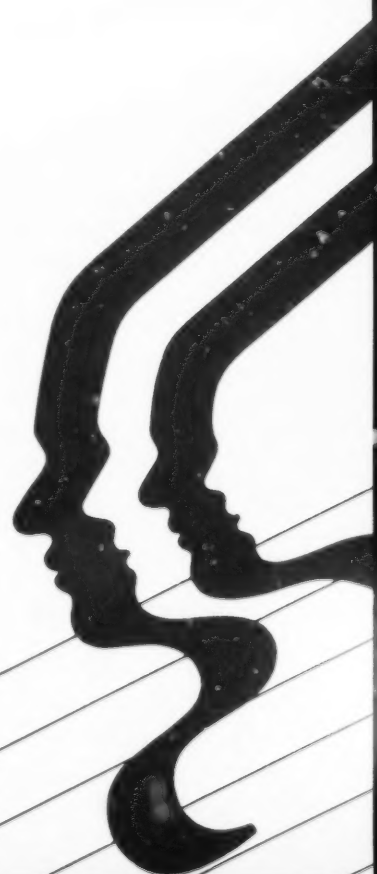

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Workers with 30 or more years of substantial Social Security coverage are not affected by the modified benefit formula. Workers with 21-29 years of such earnings will have the first factor reduced as follows:

YEARS OF COVERAGE	FIRST FACTOR
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent

You are credited with a year of coverage if your earnings equal or exceed the figures shown for each year in the following chart.

YEAR	EARNINGS	YEAR	EARNINGS
1937-50	$ 900[1]	1978	$4,425
1951-54	900	1979	4,725
1955-58	1,050	1980	5,100
1959-65	1,200	1981	5,550
1966-67	1,650	1982	6,075
1968-71	1,950	1983	6,675
1972	2,250	1984	7,050
1973	2,700	1985	7,425
1974	3,300	1986	7,875
1975	3,525	1987	8,175
1976	3,825	1988	8,400
1977	4,125	1989	8,925

[1]Total credited earnings from 1937-50 are divided by $900 to get the number of years of coverage (maximum of 14 years).

GUARANTEE

A guarantee is provided to protect workers with relatively low pensions. It provides that the reduction in the Social Security benefit under the modified formula cannot be more than one-half of that part of the pension attributable to earnings after 1956 not covered by Social Security.

If you have any questions or need more information about the modified benefit formula for workers with pensions from non-covered work, contact Social Security.

□ *SOCIAL SECURITY is a package of protection—retirement, survivors, and disability insurance. It protects you and your family while you work and after you retire. Social Security is a base you can build on, now and for the future, with other insurance and investments. SOCIAL SECURITY . . . IT NEVER STOPS WORKING.* □